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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF
 SOUTH CENTRAL UTAH TELEPHONE
 ASSOCIATION, INC., A UTAH NON-PROFIT
 CORPORATION, FOR A HEARING TO
 DETERMINE THE EARNINGS OF THE
 COMPANY, THE FAIR VALUE OF THE
 COMPANY FOR RATEMAKING PURPOSES,
 AND TO INCREASE RESIDENTIAL RATES AS
 NECESSARY TO COMPENSATE FOR THE
 RATE IMPACTS OF THE FCC'S USF/ICC
 TRANSFORMATION ORDER

DOCKET NO. T-01923A-13-0229

SUMMARY OF TESTIMONY

Arizona Corporation Commission

DOCKETED

SEP 27 2013

DOCKETED BY

1 South Central Utah Telephone Association, Inc., a non-profit Utah corporation, doing business as
 2 South Central Communications ("SCC"), hereby submits the following summary of the testimony
 3 expected to be given at the October 7, 2013, hearing scheduled in this matter.

TESTIMONY SUMMARY

5 SCC's witness will be Mr. Michael East, SCC's president. Mr. East is expected to testify as follows:

6 On November 18, 2011, the Federal Communications Commission issued the USF/ICC Order. The
 7 USF/ICC Order will reduce certain terminating inter-carrier compensation rates to zero by July 1, 2020,
 8 for rate of return companies, with limited recovery from customers and partial recovery from the CAF.
 9 The recovery from the CAF will be reduced over time at 5% annually.

10 SCC is a small rate-of-return regulated Incumbent Local Exchange Carrier ("ILEC"). Of particular
 11 importance to SCC and other rural ILECs, the USF/ICC Order adds new rules that will reduce federal
 12 high-cost loop support to carriers by the amount their flat-rate residential local service rates fall below a
 13 specified annual urban rate floor. The rate floor includes, if any, state subscriber line charges, state
 14 universal service fees, and mandatory extended area service charges. The FCC's order establishes local
 15 residential rate floors of \$10.00 as of June 1, 2012, and \$14.00 as of June 1, 2013, with the floor
 16 thereafter being determined annually by the FCC's Wireline Competition Bureau, based on a nationwide
 17 average.

18 To maintain federal loop support, SCC and other rural ILECs must increase local rates to the FCC-
 19 mandated residential rate floors. Otherwise, the amount of federal support funds will be reduced dollar-
 20 for-dollar for each customer by the difference between the existing local rate and the new rate floor. If
 21 local rates are not increased, the new FCC rules will reduce funds coming to the state of Arizona and
 22 negatively impact customers living in high-cost areas in the state.

1 Low customer density makes SCC dependent on high-cost federal support mechanisms. It is important
2 that the company be allowed to increase local rates, to the FCC determined annual rate floors, in order to
3 maintain its existing federal support. Therefore, SCC is asking the Commission to approve local rate
4 increases to the \$14 rate floor established by the FCC's order.

5 In its Colorado City rate area, SCC's local residential rates are currently \$11.00/month. In its Fredonia
6 rate area, SCC's local residential rates are currently \$13.18/month. The rates for customers within these
7 rate areas are below the federal \$14/month rate floor that went into effect on June 1, 2013. The rate
8 floor for 2014 and thereafter will be determined by an annual FCC survey.

9 In connection with this application, SCC sponsors Exhibit A which includes a schedule of the specific
10 rate changes requested and the impact of the revenue generated on the company's financial position.
11 SCC's loss of federal support funds would be particularly difficult to bear. As the attached schedules
12 demonstrate, SCC's return on investment is already low. Losing federal support funds would only drive
13 earnings lower.

14 SCC asks that the Commission determine the fair value of the company for ratemaking purposes and
15 stipulates to use original cost less depreciation for those purposes. Because the next opportunity to
16 affect federal support funds is December 1, 2013, SCC further asks that the Commission set new rates at
17 the \$14.00 floor to be effective no later than December 1, 2013.

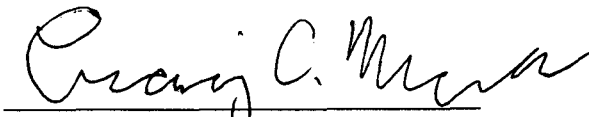
18 Respectfully submitted on September 27, 2013.

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By: 
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